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204
10 December 1973

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10 December 1973

25X1

Central Intelligence Bulletin

CONTENTS

ARAB STATES - ISRAEL: Egypt announces that it will participate in the peace conference in Geneva.
(Page 1)

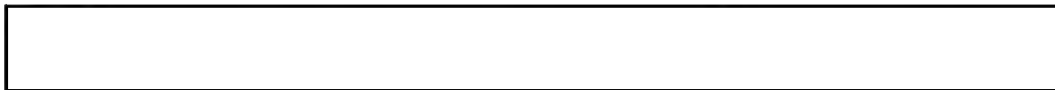


25X1

CAMBODIA: Army makes slight progress against Khmer Communists at Kompong Speu city. (Page 6)

SOUTH VIETNAM: Heavy fighting in Quang Duc Province. (Page 7)

WESTERN HEMISPHERE: Latins conclude third round of talks on reorganization of inter-American system.
(Page 8)



25X1

FOR THE RECORD: (Page 11)

ARAB STATES - ISRAEL: Egypt has announced that it will participate in the peace conference in Geneva, despite the breakdown of the Egyptian-Israeli disengagement talks at Kilometer 101.

In a government policy speech on 8 December, Egyptian Deputy Prime Minister Hatim outlined three "principles" to which Cairo will adhere during the talks:

--Egypt will not permit the conference to be used as a means for procrastination on the implementation of international resolutions, nor will it permit the conference to degenerate into the deadlock that existed before 6 October;

--Egypt will reject any attempt to discuss two basic tenets of its policy--Israeli withdrawal from the Arab territories, and restoration of the rights of the Palestinian people;

--Egypt believes that participation in the conference by the Palestinians will be a firm expression by the international community of their legal existence and a clear recognition of their rights.

To the extent that Hatim portrayed as nonnegotiable those subjects that in reality will involve considerable negotiating, his speech was tough and determined. His statement contained sufficient ambiguity to leave Cairo's options open, however, and it contained none of the shrill, even threatening, tone that the Egyptian press has adopted during the past few days.

Hatim devoted most of his address to domestic concerns. He touched on government plans for virtually every sector of the economy, including those for "economic openness" and "flexibility" that had been emphasized prior to the October war. Those plans were designed to move Egypt away from its

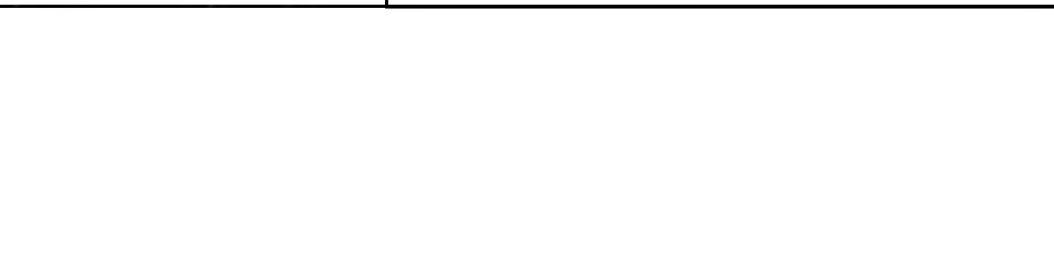
socialist, Nasirist economic policies. Hatim's detailed treatment of domestic affairs appears largely an attempt to convince the Egyptian people that their economic grievances will not be forgotten as the government enters into a period of protracted peace negotiations.

Moscow will find little comfort in Hatim's remarks. The Soviets received only one sentence of gratitude for their military, political, and economic aid, and they will undoubtedly be disconcerted by the reiteration of Egypt's desire for "economic openness." That policy in the past drew strong criticism from the Soviet media because of its anti-Soviet, antisocialist implications.

* * * *

Minor cease-fire violations continued on the Egyptian front over the weekend. Ten Israeli soldiers were reportedly wounded in the most serious of several small-arms and artillery exchanges in the Ismailia area.

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In Tel Aviv, a military spokesman announced on 8 December that 2,412 Israeli soldiers are believed to have been killed in the October war. A month ago, the number of dead had been put at 1,854.

* * * *

The Cairo newspaper Al Ahram has criticized the revised election platform of the Israeli Labor Party, charging that it does not include "the minimum conditions" necessary for a move toward peace. The newspaper specifically pointed to the party's

policy of refusing to withdraw to the pre-1967 borders as further evidence--in addition to Tel Aviv's stalling at the talks at Kilometer 101--that Israel does not seek an acceptable political solution to the crisis.

Jordan and the Palestinians are engaged in a verbal sparring match over the question of Palestinian representation at the Geneva peace conference. The Palestine News Agency reported on 8 December that fedayeen leaders have rejected a Jordanian initiative for a joint delegation to the talks. The report claimed that Jordan offered to form a new government that could include officials selected by the Palestinians; the new government would in turn appoint the Jordanian delegation to the conference, which could include a representative of the Palestine Liberation Organization. According to the Palestinians, "the Revolution's leadership refused even to discuss the offer." According to an official Jordanian spokesman, no such offer of reconciliation was made.

Ministers of the Organization of Arab Petroleum Exporting Countries, meeting in Kuwait over the weekend, decided to resume in January their five-percent-monthly cuts in oil production. The January cuts reportedly will include Japan and those European states that were exempted in December for their pro-Arab diplomatic moves. The ministers agreed that the Arab producers will begin gradually to increase their oil production to the level of September 1973 only when Israel begins to implement a timetable for withdrawal from the occupied Arab territories. The rate of production increases would correspond to phases in the Israeli withdrawal, which must be guaranteed by the US.

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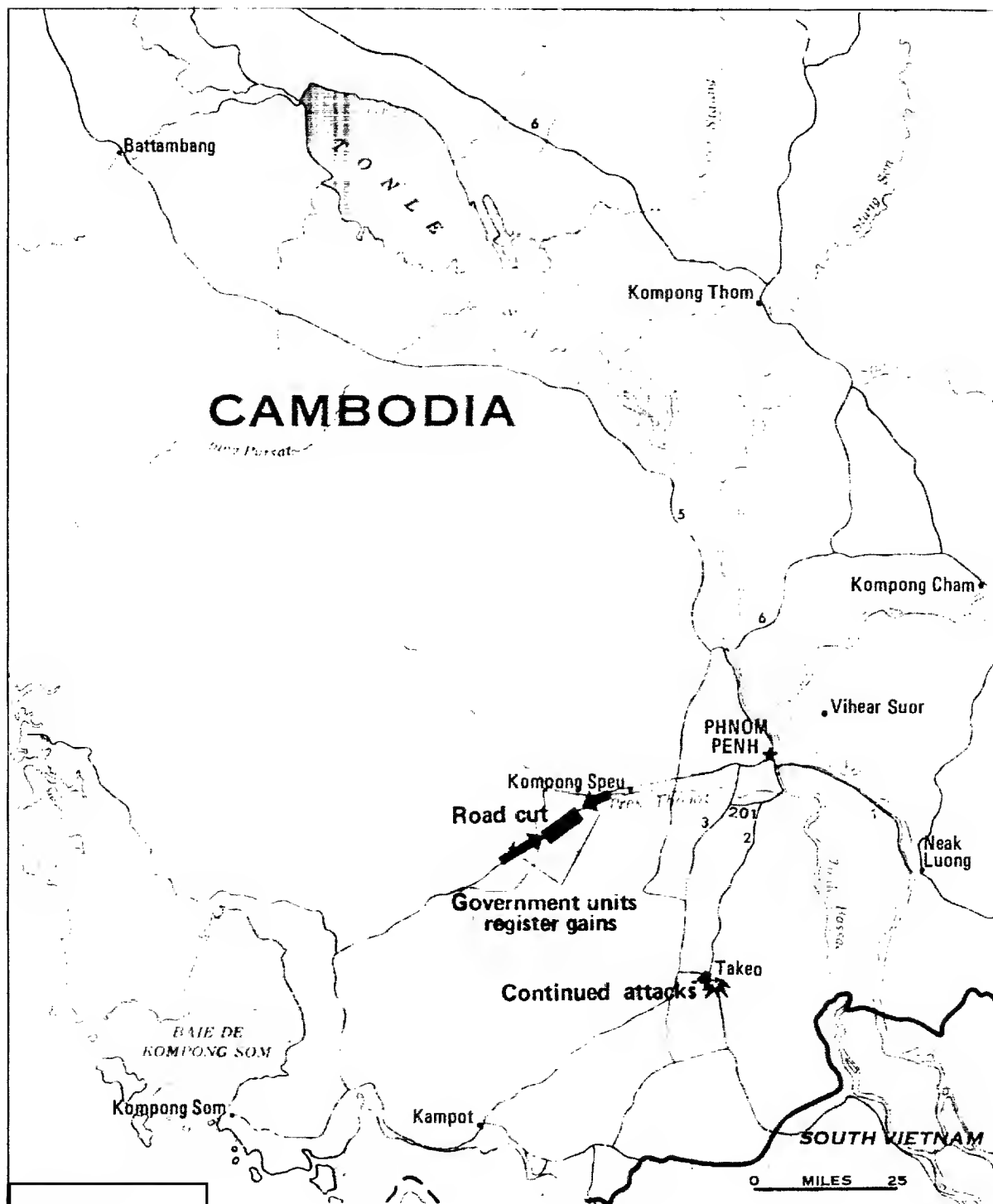
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Approved For Release 2004/07/08 : CIA-RDP79T00975A025800050001-0



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CAMBODIA: Elements of a 4,000-man Cambodian Army task force made some slight progress over the weekend in their efforts to dislodge Khmer Communist forces from a seven-mile stretch of Route 4 just southwest of Kompong Speu city. In the past few days, however, the Communists have launched a series of small-scale ground attacks and shellings against Kompong Speu itself and against government positions along Route 4 closer to Phnom Penh. Army commanders are concerned that the Communists may be trying to cut off Kompong Speu and the task force. South of Phnom Penh, the situation at the provincial capital of Takeo has improved, although the city remains the target of sporadic Communist shellings and probes.

25X1

On the political front, President Lon Nol is casting about for a replacement for Prime Minister In Tam, who on 7 December announced his desire to resign. The US Embassy reports that Lon Nol's first choice is likely to be a long-time crony of his, General Thappana Nginn, currently third vice prime minister. High Political Council member Sirik Matak and others will probably oppose his choice, however, and it may take some time to find an acceptable replacement. In Tam himself told US Embassy officials on 6 December that in order to avoid a governmental crisis and assure a smooth transition, he will not leave office abruptly.

25X1

10 Dec 73

Central Intelligence Bulletin

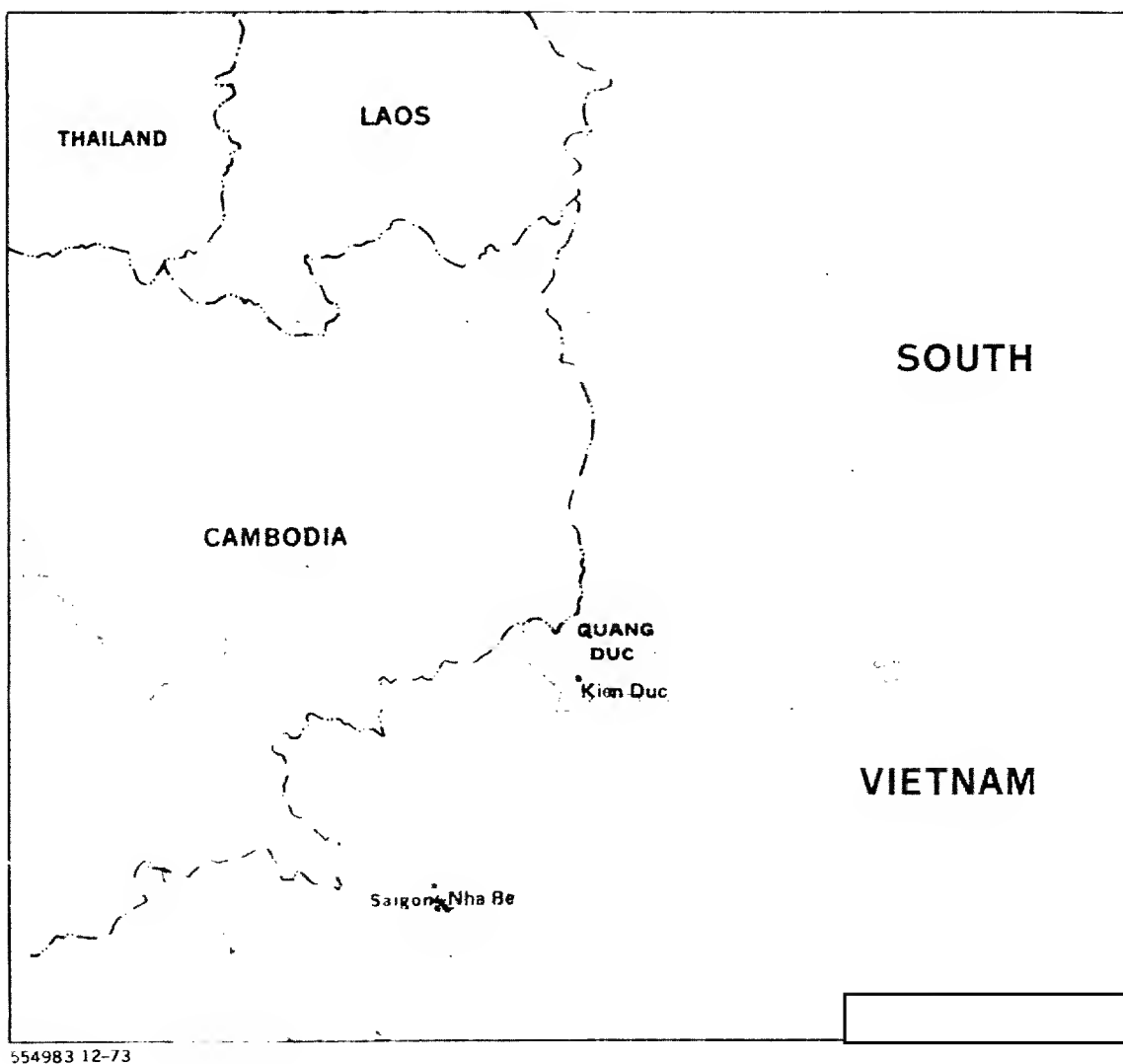
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25X1

Approved For Release 2004/07/08 : CIA-RDP79T00975A025800050001-0

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SOUTH VIETNAM: Heavy fighting continues around the district town of Kien Duc in Quang Duc Province. Both the Communists and the South Vietnamese have claimed control, [REDACTED]

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[REDACTED] Although the South Vietnamese appear to be in the city, some North Vietnamese are also still present either in parts of the town or its immediate outskirts.

25X1



10 Dec 73

Central Intelligence Bulletin

7

25X1

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WESTERN HEMISPHERE: The third round of talks on the reorganization of the inter-American system concluded in Lima with few solid accomplishments, but with the Latin Americans united to an unusual degree on issues concerning relations with the US.

Representatives of the 23 OAS member states agreed on recommendations for a few revisions in the OAS Charter and the Rio Treaty, but the sweeping reforms advocated by some of the more radical delegates were defeated. A majority apparently favored expanding the Rio Treaty to provide for collective security against "economic aggression"--an addition intended to limit the influence of the US and multinational corporations--but agreement could not be reached on specifics.

On primarily economic issues, the Latin American and Caribbean countries were nearly unanimous in challenging the US. The Law of the Sea, the role of international lending agencies, and the right of the Latin Americans to control foreign investment and their own natural resources are high on the agenda for future talks with the US.

Unlike the earlier, more contentious phase of negotiations, the latest talks in Lima were characterized by a desire for constructive dialogue with the US. The changes of government in Chile and Argentina in September brought new attitudes toward the US in those countries, and the Chilean coup caused a few other governments to reappraise or moderate their policies at least temporarily. With the Panama Canal negotiations under way once again, the Torrijos government in Panama is now more anxious to maintain the best possible relations with the US.

These shifts, plus Secretary Kissinger's stated desire for increased high-level collaboration in the hemisphere, have elevated Latin American expectations for a general improvement in relations with the US. At the meeting of foreign ministers in Bogota last

25X1

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month, the Latins forged joint positions which will be discussed with the Secretary at a conclave early next year. Although the Bogota meeting overshadowed and tended to supersede the proceedings of the OAS commission, both groups of negotiators reached similar conclusions in a spirit of unusual harmony. Many Latin American governments now seem to look on the foreign ministers' meeting with the Secretary as well as the OAS General Assembly session next April as significant opportunities to press their nationalistic lines.

25X1

25X1

10 Dec 73

Central Intelligence Bulletin

9

Approved For Release 2004/07/08 : CIA-RDP79T00975A025800050001-0

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FOR THE RECORD*

USSR: The CPSU Central Committee probably will meet in Moscow today or tomorrow to put the party hierarchy's stamp of approval on the economic plan and budget for 1974 before they are taken up by the Supreme Soviet on Wednesday. The plenum, the first since the leadership changes last April, will give Brezhnev an opportunity to report on the current situation at home and abroad, but his speech probably will not be published. [REDACTED]

25X1

**This item was prepared by CIA without consultation with the Departments of State and Defense.*

10 Dec 73

Central Intelligence Bulletin

11

25X1

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25X1

Approved For Release 2004/07/08 : CIA-RDP79T00975A025800050001-0

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